



**COUNTY OF LOS ANGELES  
DEPARTMENT OF AUDITOR-CONTROLLER**

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June 24, 2010

TO: Supervisor Gloria Molina, Chair  
Supervisor Mark Ridley-Thomas  
Supervisor Zev Yaroslavsky  
Supervisor Don Knabe  
Supervisor Michael D. Antonovich

FROM: Wendy L. Watanabe  
Auditor-Controller

A handwritten signature in blue ink, reading "Wendy L. Watanabe", is written over the printed name and title.

SUBJECT: **FOOTHILL FAMILY SERVICE CONTRACT REVIEW – A DEPARTMENT  
OF PUBLIC SOCIAL SERVICES CAL-LEARN PROGRAM PROVIDER**

We have completed a program, fiscal and administrative contract review of Foothill Family Service (FFS or Agency), a Department of Public Social Services (DPSS) Cal-Learn Program provider.

**Background**

DPSS contracts with FFS, a non-profit community-based organization, to assist CalWORKs participants that are teenage parents in completing their high school education. The contract services include recruiting and enrolling eligible participants, conducting Program orientations, handling case management, identifying and providing supportive services (i.e., child care, transportation, etc.) and assisting participants with enrolling and completing a high school education. The Agency provided services to residents in the First, Fourth, and Fifth Supervisorial Districts during Fiscal Year (FY) 2008-09.

DPSS paid FFS a fixed monthly fee for each participant or approximately \$981,000 during FY 2008-09.

**Purpose/Methodology**

The purpose of our review was to determine whether FFS complied with the contract terms and appropriately accounted for and spent Cal-Learn funds in providing the

services outlined in their County contract. We also evaluated the adequacy of the Agency's accounting records, internal controls, and compliance with federal, State and County guidelines. In addition, we interviewed a number of the Agency's staff and clients.

### **Results of Review**

We have no findings or recommendations for the Agency. FFS met the contract's performance outcome measures, maintained adequate internal controls and appropriately charged expenditures to the Cal-Learn Program. In addition, the Agency's staff possessed the required qualifications and FFS' Cost Allocation Plan was prepared in compliance with the County contract and used to appropriately allocate shared program costs. FFS also provided services to program participants that met the eligibility requirements for the Cal-Learn Program.

However, our review found that the County contract does not include provisions requiring the Agency to return or reinvest unspent revenues. FFS received \$818,041 from DPSS for the Cal-Learn Program during FY 2007-08. The Agency's expenditures totaled \$738,198, which is \$79,843 (\$818,041 - \$738,198) in unspent Program funds that the contract allowed the Agency to retain. Details of our findings and recommendations for DPSS to implement corrective action are attached.

### **Review of Report**

We discussed our report with FFS and DPSS in January 2010. FFS did not submit a response since there are no findings or recommendations related to the Agency. DPSS' attached response indicates agreement with our findings and recommendations. DPSS also indicated that they intend to work with County Counsel to amend the Cal-Learn Program contracts to include the unspent revenue provision effective September 1, 2010, the start of the second contract year. In addition, in January 2010, DPSS sent a letter to the California Department of Social Services (CDSS) requesting approval to include an unspent revenue provision in the affected contracts, as required by CDSS.

We thank FFS management for their cooperation and assistance during this review. Please call me if you have any questions or your staff may contact Don Chadwick at (213) 253-0301.

WLW:MMO:JET:DC:AA

Attachment

c: William T Fujioka, Chief Executive Officer  
Philip L. Browning, Director, Department of Public Social Services  
Todd E. Molz, Esq., Board Chair, Foothill Family Service  
Helen Morran-Wolf, Executive Director, Foothill Family Service  
Public Information Office  
Audit Committee

**CAL-LEARN PROGRAM  
FOOTHILL FAMILY SERVICE  
FISCAL YEAR 2008-09**

**ELIGIBILITY**

**Objective**

Determine whether Foothill Family Service (FFS or Agency) provided services to individuals that met the eligibility requirements of the Cal-Learn Program.

**Verification**

We reviewed the case files for 10 (1%) of the 745 program participants that received services during January and February 2009.

**Results**

All 10 program participants met the eligibility requirements for the Cal-Learn Program.

**Recommendation**

None.

**PROGRAM SERVICES**

**Objective**

Determine whether FFS provided the services in accordance with the County contract and Cal-Learn guidelines. In addition, determine whether the program participants received the billed services.

**Verification**

We reviewed the case file documentation for 10 program participants that received services during January and February 2009. We also interviewed four participants.

**Results**

FFS provided the program services in accordance with the County contract.

**Recommendation**

None.

**STAFFING QUALIFICATIONS****Objective**

Determine whether FFS staff possessed the qualifications required by the County contract.

**Verification**

We reviewed the personnel files for seven FFS employees.

**Results**

FFS' staff possessed the qualifications required by the County contract.

**Recommendation**

None.

**PERFORMANCE OUTCOMES****Objective**

Determine whether FFS met the planned performance outcomes as outlined in the County contract and reports the performance outcomes to the Department of Public Social Services (DPSS). The performance outcomes included maintaining a 70% orientation completion rate, a 60% school enrollment rate, a 50% report card submission rate and a 50% high school graduation rate.

**Verification**

We reviewed participant case files and the GAIN Employment Activity and Reporting System, an automated data management system that tracks each participant's progress in the program.

**Results**

FFS met the performance outcome measures outlined in the County contract.

**Recommendation**

None.

**CASH/REVENUE****Objective**

Determine whether cash receipts and revenue were properly recorded in FFS' financial records and deposited timely in their bank account. In addition, determine whether the Agency maintained adequate controls over cash.

**Verification**

We interviewed FFS personnel and reviewed financial records including the Agency's bank reconciliations for February 2009.

**Results**

FFS maintained adequate controls to ensure that revenue was properly recorded and deposited timely.

**Recommendation**

None.

**UNSPENT REVENUE**

California Department of Social Services (CDSS) policy requires DPSS to use a fixed fee method when contracting for services involving State funds unless DPSS obtains CDSS approval to use a different method. The Cal-Learn Program is funded by the State. In addition, DPSS compensates FFS at a fixed monthly fee for each participant. However, FFS' Cal-Learn contract with the County does not include provisions requiring the Agency to return or reinvest unspent Program funds. FFS received \$818,041 from DPSS for the Cal-Learn Program during Fiscal Year (FY) 2007-08. However, the Agency's expenditures totaled \$738,198, which is \$79,843 (\$818,041 - \$738,198) in unspent Program funds that the contract allowed the Agency to retain.

On September 1, 2009, DPSS amended their Cal-Learn contracts to allow the County to disallow costs that are inappropriately charged to the program. However, the contracts were not amended to require agencies to reinvest unspent revenues. To ensure Cal-Learn funds are used for their intended purpose, DPSS needs to work with County Counsel to amend the Cal-Learn contracts to include provisions requiring agencies to return or reinvest unspent revenues. DPSS should also obtain any necessary CDSS approval to amend the contracts.

**Recommendations****DPSS management:**

1. Work with County Counsel to amend the Cal-Learn contracts to include provisions requiring agencies to return or reinvest unspent revenues.
2. Obtain any necessary CDSS approval to amend the contracts.

**EXPENDITURES/PROCUREMENT****Objective**

Determine whether program-related expenditures were allowable under the County contract and properly documented.

**Verification**

We interviewed FFS personnel and reviewed financial records and other documentation for two non-payroll expenditures totaling \$1,386 that the Agency charged from July 2008 through February 2009.

**Results**

FFS' expenditures were allowable and properly documented.

**Recommendation**

None.

**ADMINISTRATIVE CONTROLS/CONTRACT COMPLIANCE****Objective**

Determine whether FFS maintained sufficient internal controls over its business operations and if the Agency is in compliance with other program and administrative requirements.

**Verification**

We interviewed FFS personnel, reviewed their policies and procedures manuals and conducted on-site visits.

**Results**

FFS maintained sufficient internal controls over its business operations and complied with other program and administrative requirements.

**Recommendation**

None.

**FIXED ASSETS AND EQUIPMENT****Objective**

Determine whether FFS' fixed assets and equipment purchased with Cal-Learn funds were used for the Cal-Learn Program and were safeguarded.

We did not perform test work in this section, as FFS did not use Cal-Learn funds to purchase fixed assets or equipment.

**Recommendation**

None.

**PAYROLL AND PERSONNEL****Objective**

Determine whether payroll expenditures were appropriately charged to the Cal-Learn Program. In addition, determine whether FFS obtained background clearances and verified employment eligibility for the employees assigned to the Cal-Learn Program.

**Verification**

We traced the payroll expenditures for seven employees totaling \$11,444 for February 2009 to the Agency's payroll records and time reports. We also interviewed staff and reviewed seven personnel files for staff assigned to the Cal-Learn Program.

**Results**

FFS properly charged payroll expenditures to the Cal-Learn Program and obtained background clearances for program staff.

**Recommendation**

None.

**COST ALLOCATION PLAN****Objective**

Determine whether FFS' Cost Allocation Plan was prepared in compliance with the County contract and if the Agency used the Plan to appropriately allocate shared program costs.

**Verification**

We reviewed the Cost Allocation Plan and a sample of expenditures FFS incurred during July 2008 through February 2009.

**Results**

FFS' Cost Allocation Plan was prepared in compliance with the County contract and the costs were appropriately allocated.

**Recommendation**

None.



County of Los Angeles  
**DEPARTMENT OF PUBLIC SOCIAL SERVICES**

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Fifth District

February 22, 2010

TO: Wendy L. Watanabe  
Auditor-Controller

A handwritten signature in black ink, appearing to be 'P. Browning', written over the 'FROM' line.

FROM: Philip L. Browning, Director

SUBJECT: **FOOTHILL FAMILY SERVICE CONTRACT REVIEW – A DEPARTMENT  
OF PUBLIC SOCIAL SERVICES CAL-LEARN PROGRAM PROVIDER**

This is to provide you with our response to the Auditor-Controller's (A-C) recommendations based on the A-C's review of the subject contract for Fiscal Year 2008-09.

**Recommendations**

- 1) Work with County Counsel to amend the Cal-Learn contracts to include provisions requiring agencies to return or reinvest unspent revenues.
- 2) Obtain California Department of Social Services (CDSS) approval to amend the contracts, if necessary.

**Response**

We agree with these recommendations and will work with County Counsel to implement them. We intend to amend the Cal-Learn Case Management contracts to include the unspent revenues provision effective September 1, 2010, the start of the second contract year.

Also, on January 28, 2010, we sent a letter to CDSS requesting approval to include an unspent revenues provision in all of the Department's fixed-fee contracts with private, non-profit agencies. CDSS Regulation 23-604.3.374 requires the firm-fixed price method of reimbursement for agreements with non-public/non-governmental agencies.

Please let me know if you have any questions.

PLB:ab